

**VILLAGE OF MILLBURY  
WOOD COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2007 AND 2006**





# Mary Taylor, CPA

Auditor of State

Members of Council  
Village of Millbury  
28340 Main Street  
P.O. Box 155  
Millbury, Ohio 43477-0155

We have reviewed the *Independent Auditor's Report* of the Village of Millbury, Wood County, prepared by Lublin Sussman Group LLP, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Millbury is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 27, 2008

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Millbury  
Wood County  
28430 Main Street, P.O. Box 155  
Millbury, OH 43447-0155

We have audited the accompanying statements of cash receipts, cash disbursements, and changes in fund balances - all governmental fund types of the Village of Millbury, Wood County, (the Village) as of December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village prepares its financial statements using accounting practices prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds presented in the accompanying financial statements, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Millbury, Wood County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated May 6, 2008 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Seublin Sussman Group LLP*

May 6, 2008  
Toledo, Ohio

**VILLAGE OF MILLBURY  
WOOD COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memo. Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 16,655	\$ 944	\$ 0	\$ 17,599
Municipal Income Tax	0	218,315	0	218,315
Special Assessments	400	27,183	0	27,583
Intergovernmental Receipts	39,126	82,174	0	121,300
Charges for Services	3,685	211	0	3,896
Fines, Licenses, and Permits	10,554	0	0	10,554
Earnings on Investments	23,708	2,291	5,238	31,237
Miscellaneous	<u>2,935</u>	<u>0</u>	<u>0</u>	<u>2,935</u>
Total Cash Receipts	<u>97,063</u>	<u>331,118</u>	<u>5,238</u>	<u>433,419</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	39,000	31,209	0	70,209
Leisure Time Activities	24,663	0	0	24,663
Community Environment	2,540	0	0	2,540
Basic Utility Services	53,078	0	0	53,078
Transportation	9,422	71,878	6,670	87,970
General Government	70,011	18,000	0	88,011
Debt Service:				
Principal Payments	19,129	0	0	19,129
Capital Outlay	<u>57,147</u>	<u>22,000</u>	<u>163,213</u>	<u>242,360</u>
Total Cash Disbursements	<u>274,990</u>	<u>143,087</u>	<u>169,883</u>	<u>587,960</u>
Total Receipts Over/(Under) Disbursements	<u>(177,927)</u>	<u>188,031</u>	<u>(164,645)</u>	<u>(154,541)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Other Financing Sources	0	0	95,660	95,660
Transfers-In	142,800	0	86,200	229,000
Transfers-Out	<u>(25,000)</u>	<u>(204,000)</u>	<u>0</u>	<u>(229,000)</u>
Total Other Financing Receipts (Disbursements)	<u>117,800</u>	<u>(204,000)</u>	<u>181,860</u>	<u>95,660</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(60,127)	(15,969)	17,215	(58,881)
Fund Cash Balances, January 1	<u>524,000</u>	<u>121,356</u>	<u>121,185</u>	<u>766,541</u>
Fund Cash Balances, December 31	<u>\$ 463,873</u>	<u>\$ 105,387</u>	<u>\$ 138,400</u>	<u>\$ 707,660</u>
Reserves for Encumbrances, December 31	<u>\$ 2,100</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,100</u>

See Notes to Financial Statements

**VILLAGE OF MILLBURY  
WOOD COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memo. Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 14,894	\$ 725	\$ 0	\$ 15,619
Municipal Income Tax	0	215,838	0	215,838
Special Assessments	436	26,006	0	26,442
Intergovernmental Receipts	32,593	77,676	0	110,269
Charges for Services	160	263	0	423
Fines, Licenses, and Permits	14,020	0	0	14,020
Earnings on Investments	24,197	2,067	2,515	28,779
Miscellaneous	<u>1,182</u>	<u>0</u>	<u>0</u>	<u>1,182</u>
Total Cash Receipts	<u>87,482</u>	<u>322,575</u>	<u>2,515</u>	<u>412,572</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	35,705	32,854	0	68,559
Leisure Time Activities	30,773	0	0	30,773
Community Environment	2,778	0	0	2,778
Basic Utility Services	58,003	0	0	58,003
Transportation	6,071	63,690	4,875	74,636
General Government	74,190	20,114	0	94,304
Debt Service:				
Principal Payments	13,883	0	0	13,883
Capital Outlay	<u>4,000</u>	<u>0</u>	<u>89,708</u>	<u>93,708</u>
Total Cash Disbursements	<u>225,403</u>	<u>116,658</u>	<u>94,583</u>	<u>436,644</u>
Total Receipts Over/(Under) Disbursements	<u>(137,921)</u>	<u>205,917</u>	<u>(92,068)</u>	<u>(24,072)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	140,000	0	105,000	245,000
Transfers-Out	<u>(50,000)</u>	<u>(195,000)</u>	<u>0</u>	<u>(245,000)</u>
Total Other Financing Receipts (Disbursements)	<u>90,000</u>	<u>(195,000)</u>	<u>105,000</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements</b>				
	(47,921)	10,917	12,932	(24,072)
Fund Cash Balances, January 1	<u>571,921</u>	<u>110,439</u>	<u>108,253</u>	<u>790,613</u>
Fund Cash Balances, December 31	<u>\$ 524,000</u>	<u>\$ 121,356</u>	<u>\$ 121,185</u>	<u>\$ 766,541</u>
Reserves for Encumbrances, December 31	<u>\$ 1,890</u>	<u>\$ 0</u>	<u>\$ 101,510</u>	<u>\$ 103,400</u>

See Notes to Financial Statements

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**ORGANIZATION**

The Village of Millbury, Wood County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides park operations. The Village contracts with Lake Township to provide security of persons and property. The Village is also provided fire protection services from the Lake Township Volunteer Fire Department which is paid for by the levies that are passed by the residents.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**CASH AND INVESTMENTS**

Certificates of deposit and investments are reported in the fund cash balances at cost. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. At the time of sale, gains or losses are recorded as receipts or disbursements, respectively. Certificates of deposit that have a maturity date greater than one year from issuance are reported as an investment.

**FUND ACCOUNTING**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

- a. **General Fund**  
The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special Revenue Funds**  
These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

State Highway Fund - This fund receives gasoline tax and motor vehicle fuel tax money for constructing, maintaining and repairing state highways.

Village Income Tax Fund - This fund receives income tax revenues to be used for general government services and capital improvements.

Street Light Assessment Fund - This fund receives Village special assessments and is used for payment of street lighting.

c. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Capital Project Fund - This fund receives transfers from the Village Income Tax Fund to be used for various projects.

Issue II Fund - This fund is used to record the expenditures for the Center Street storm sewer replacement project that was funded with an OPWC Loan.

Reserve for Capital Fund - This fund is used to accumulate resources for the acquisition, construction, or improvement of fixed assets. The Village is currently accumulating funds to build a new administrative building.

**BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

a. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

b. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**PROPERTY, PLANT, AND EQUIPMENT**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**(2) EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 102,197	\$ 59,681
Certificates of Deposit	<u>0</u>	<u>235,081</u>
Total Deposits	102,197	294,762
Certificates of Deposit	355,243	268,804
STAR Ohio	<u>250,220</u>	<u>202,975</u>
Total Investments	<u>605,463</u>	<u>471,779</u>
Total Deposits and Investments	<u>\$ 707,660</u>	<u>\$ 766,541</u>

**DEPOSITS**

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**INVESTMENTS**

Investments in STAR Ohio and certificates of deposit are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(3) BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and 2006 follows:

2007 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 217,653	\$ 239,863	\$ 22,210
Special Revenue	332,455	331,118	(1,337)
Capital Projects	<u>205,660</u>	<u>187,098</u>	<u>(18,562)</u>
Total	<u>\$ 755,768</u>	<u>\$ 758,079</u>	<u>\$ 2,311</u>

2007 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 363,947	\$ 302,090	\$ 61,857
Special Revenue	372,350	347,087	25,263
Capital Projects	<u>171,510</u>	<u>169,883</u>	<u>1,627</u>
Total	<u>\$ 907,807</u>	<u>\$ 819,060</u>	<u>\$ 88,747</u>

2006 BUDGETED VS. ACTUAL RECEIPTS

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 218,661	\$ 227,482	\$ 8,821
Special Revenue	286,155	322,575	36,420
Capital Projects	<u>205,660</u>	<u>107,515</u>	<u>(98,145)</u>
Total	<u>\$ 710,476</u>	<u>\$ 657,572</u>	<u>\$ (52,904)</u>

2006 BUDGETED VS. ACTUAL BUDGETARY BASIS EXPENDITURES

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 322,260	\$ 277,293	\$ 44,967
Special Revenue	326,175	311,658	14,517
Capital Projects	<u>208,747</u>	<u>196,093</u>	<u>12,654</u>
Total	<u>\$ 857,182</u>	<u>\$ 785,044</u>	<u>\$ 72,138</u>

**VILLAGE OF MILLBURY  
WOOD COUNTY**  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(4) PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**(5) LOCAL INCOME TAX**

The Village levies a municipal income tax of 1.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**(6) DEBT**

Debt outstanding at December 31, 2007 and 2006 was as follows:

	Beginning Balance <u>01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/07</u>	Amounts Due Within <u>One Year</u>
Ohio Public Works Commission Loan #1	\$ 97,176	\$ 0	\$ 13,883	\$ 83,293	\$ 13,883
Ohio Public Works Commission Loan #2	<u>104,929</u>	<u>0</u>	<u>5,246</u>	<u>99,683</u>	<u>5,246</u>
Total	<u>\$ 202,105</u>	<u>\$ 0</u>	<u>\$ 19,129</u>	<u>\$ 182,976</u>	<u>\$ 19,129</u>
	Beginning Balance <u>01/01/06</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>12/31/06</u>	Amounts Due Within <u>One Year</u>
Ohio Public Works Commission Loan #1	\$ 111,059	\$ 0	\$ 13,883	\$ 97,176	\$ 13,883
Ohio Public Works Commission Loan #2	<u>9,269</u>	<u>95,660</u>	<u>0</u>	<u>104,929</u>	<u>5,246</u>
Total	<u>\$ 120,328</u>	<u>\$ 95,660</u>	<u>\$ 13,883</u>	<u>\$ 202,105</u>	<u>\$ 19,129</u>

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(6) DEBT (CONTINUED)**

The Ohio Public Works Commission (OPWC) Loan #1 relates to Main Street improvements made by the Village. The OPWC approved a \$138,825, zero percent loan to the Village for this project. The loan will be repaid in semiannual installments of \$6,941, over 10 years, beginning July 1, 2004 and due January 1, 2014. The Loan will be repaid by the General Fund. No assets are pledged to secure this loan.

The Ohio Public Works Commission (OPWC) Loan #2 relates to a Center Street storm sewer project made by the Village. The OPWC approved a \$104,929, zero percent loan to the Village for the project. Principal shall be due and payable in equal consecutive semiannual installments of \$2,623, over 20 years, beginning July 1, 2007 and due January 1, 2027. No assets are pledged to secure this loan.

The principal and interest requirements to retire the debt outstanding at December 31, 2007 are as follows:

<u>Year Ending December 31</u>	<u>Ohio Public Works Commission Loan #1</u>		<u>Ohio Public Works Commission Loan #2</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 13,883	\$ 0	\$ 5,246	\$ 0
2009	13,883	0	5,246	0
2010	13,883	0	5,246	0
2011	13,883	0	5,246	0
2012	13,883	0	5,246	0
2013-2017	13,878	0	26,230	0
2018-2022	0	0	26,230	0
2023-2027	<u>0</u>	<u>0</u>	<u>20,993</u>	<u>0</u>
Totals	<u>\$ 83,293</u>	<u>\$ 0</u>	<u>\$ 99,683</u>	<u>\$ 0</u>

**(7) RETIREMENT SYSTEMS**

The Village's full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. Members of OPERS contributed 9.5% of their wages in 2007 and 9% in 2006. The Village contributed an amount equal to 13.85% of the participants' gross salaries in 2007 and 13.7% in 2006. The Village has paid all contributions required through December 31, 2007.

Pension expense amounted to \$13,927 and \$12,683 for 2007 and 2006, respectively.

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(8) RISK MANAGEMENT**

**RISK POOL MEMBERSHIP**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$350,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000, up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

St. Paul Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 (the latest information available) was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective entities.

Property and casualty settlements did not exceed insurance coverage for the years ending December 31, 2007 and 2006.

VILLAGE OF MILLBURY  
WOOD COUNTY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

**(8) RISK MANAGEMENT (CONTINUED)**

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 (the latest information available):

Casualty Coverage		<u>2006</u>
	Assets	\$ 30,997,868
	Liabilities	<u>(15,875,741)</u>
	Retained Earnings	<u>\$ 15,122,127</u>

Property Coverage		<u>2006</u>
	Assets	\$ 5,125,326
	Liabilities	<u>(863,163)</u>
	Retained Earnings	<u>\$ 4,262,163</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.4 million of unpaid claims to be billed to approximately 450 member governments in the future as of December 31, 2006 (the latest information available). PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Millbury  
Wood County  
28430 Main Street, P.O. Box 155  
Millbury, OH 43447-0155

To the Village Council:

We have audited the accompanying financial statements of the Village of Millbury, Wood County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 6, 2008 wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State prescribes, rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted a certain matter that we reported to the Village's management and council in a separate report dated May 6, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain noncompliance or other matters that we reported to the Village's management and council in a separate letter dated May 6, 2008.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

*Delvin Sussman Group LLP*

May 6, 2008  
Toledo, Ohio





Mary Taylor, CPA  
Auditor of State

VILLAGE OF MILLBURY

WOOD COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JULY 15, 2008